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Around a table: Social lubricants for trust building

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Motivation: Many transactions in economic life are preceded by social interactions. They are central, for example, to negotiations, mergers and acquisitions procedures, and often at the start of business, government, and personal negotiations. These interactions are an important part of the culture of organizations all over the globe. This importance can be recognized, for example, by the fact that business meals tend to be tax-deductible at least in part (the IRS considers that 50% of such expenses are deductible in general, for HMRC the part of the expense that is “wholly and exclusively” for the purpose of generating profits). Not just private businesses, government offices and universities also engage in subsidizing meals between members of their organizations and external agents. Given this widespread practice it is surprising that there is no research showing the extent to which these meals serve any purpose that is aligned with the overt organizational objectives of improving negotiation outcomes.

This paper’s main goal is to investigate the effectiveness of social interactions in the context of trust-building and negotiations. Since a social interaction is a complicated social process, involving communication, and other aspects, such as food and beverage intake our experiment involves teasing apart and measuring the importance of these components in order to understand how they influence economic outcomes.

Methods: Participants were recruited from among the MBA students at ESC Dijon an elite business school in the Bourgogne region of France. The process was as follows:

1. Subjects were invited to participate in a wine/water tasting activity (groups are all-male or all-female) followed by some games. They were advised not to eat or drink in the hour prior to the experiment.
2. When participants gathered for the experiment, they first read instructions, signed consent forms and their weight was measured.
3. The participants had 15 minutes to interact (except in the control treatment which had no interaction) and in this process there were four treatments depending on the availability of food and drinks: only water, only wine, food and water, food and wine.
4. They played a strategy-method trust game and the beliefs on team members. trustworthiness was elicited.
5. Their risk aversion was measured.
6. They played a standardized negotiation game.
7. A de-briefing questionnaire was administered.

Results:

Social interactions increased trust and trustworthiness very significantly in all-male groups, but not so in all-female groups. The effect was significantly bigger when only drinks were available (both water and wine), whereas adding food decreased the (still significant with respect to the no interaction baseline) effect of only drinks in all male groups. Interestingly, the positive effect of social interactions on trust for males was not reflected on negotiations, where the efficiency is reduced by the presence of interactions.